

**IDA PUBLIC SCHOOLS
IDA, MICHIGAN
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2008

**WITH
INDEPENDENT AUDITORS' REPORT**

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**IDA PUBLIC SCHOOL DISTRICT-IDA, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

UNAUDITED

Our discussion and analysis of Ida Public School District's financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2008. The Ida Public School District implemented GASB 34 requirements in the June 30, 2003 audit as required by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments issued June, 2000. Certain comparative information between the current year and the prior year is required and will be presented in this MD&A. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand terms the past and current position of the Ida Public School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Assets** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds-not the School District as a whole.

Reporting the school district as a whole

These two statements report the School District's net assets-the difference between assets and liabilities, as reported in the **Statement of Net Assets** – as one way to measure the School District's financial health or financial position. The **Statement of Net Assets**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's net assets – as reported in the **Statement of Activities** – is one indicator of whether its

financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Assets** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Ida Public School District will include only governmental activities which encompass all of the School District's services including instruction, supporting services, athletics, food service, and recreation. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the school district 's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds- not the School District as a whole. The fund statements are similar to financial presentations in the past, but the focus is on the District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service, Athletics**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Special Revenue**). The School District's major funds are the **General Fund** and **Special Revenue Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Assets** and the **Statement of Activities**) and *governmental funds* in reconciliation on page 3 and 4.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Fund, Special Revenue Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The School Service Fund is comprised of Athletic activities, Food Service, and Recreation. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The only activity in this fund for the District is the recognition and payment by the state on Durant Bonds. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose. The District's Special Revenue Fund records the tax monies received and expenditures related to the County Technology Millage. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

The School District as a Whole

The School District's net assets were \$7.45 million at the end of June 30, 2008 compared to \$6.85 million at the end of June 30, 2007. Of that amount, \$3.39 million were unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. Our analysis below focuses on the **Net Assets** (Table 1) and **Change in Net Assets** (Table 2) of the School District's governmental activities.

Ida Public School District Statement of Net Assets June 30, 2008 and 2007		
	Governmental Activities	
CURRENT ASSETS:	2008	2007
Cash and Cash Equivalents	3,898,016	3,194,136
Investments	0	0
Accounts Receivable	780	30,426
Taxes Receivable	0	0
Due from students	21	89
Due from other governmental units	2,221,577	2,178,038
Inventories	21,765	31,706
Prepaid Expenditures	0	0
TOTAL CURRENT ASSETS	6,142,159	5,434,395
NONCURRENT ASSETS		
Capital Assets	8,657,111	8,684,726
Less accumulated depreciation	5,344,452	5,330,108
TOTAL NONCURRENT ASSETS	3,312,659	3,354,618
TOTAL ASSETS	9,454,818	8,789,013
CURRENT LIABILITIES		
Accounts Payable	68,722	58,364
Accrued salaries and related items	1,461,747	1,308,551
Due to other governmental units	1,703	0
Deferred Revenue	6,123	6,291
Current portion of contract payable	51,000	51,000
Current portion of lease payable	0	32,436
Current portion of long term obligations	25,174	0
Current portion of compensated absences	26,875	2,259
TOTAL CURRENT LIABILITIES	1,641,344	1,458,901
NONCURRENT LIABILITIES		
Contract Payable-Land	101,000	152,000
Noncurrent portion of lease payable	0	11,497
Noncurrent portion of long term obligations	241,914	267,088
Compensated absences	20,260	45,600
TOTAL NONCURRENT LIABILITIES	363,174	476,185
TOTAL LIABILITIES	2,004,518	1,935,086
NET ASSETS:		
Invested in capital assets net of related debt	2,918,745	2,840,597
Restricted	1,138,755	1,156,195
Unrestricted	3,392,800	2,857,135
TOTAL NET ASSETS	7,450,300	6,853,927
TOTAL LIABILITIES AND NET ASSETS	9,454,818	8,789,013

The \$3.39 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (compensated absences for example), we would have \$3.39 million left. The net assets have increased by about \$596,000 over the previous year as presented above. The increase in unrestricted net assets is approximately \$536,000. This is the effect in large part due to the increase in current assets.

Although accrued salaries and related items have increased over last year by over \$150,000, obligations for liabilities in excess of over a year have decreased.

The **Statement of Activities** presented later in the government-wide financial statement, provides greater detail on the District's annual activity. The **Statement of Net Assets from Operating Results** (Table 2) shown below details the cost of the District's governmental activities and how those activities were financed.

Table 2

Statement of Net Assets from Operating Results

REVENUES

Program revenues

Food Services		439,058
Athletic Events		86,854
Donations-Athletics		17,590
Recreation		31,017
Recreation (donations)		25
Debt Service-Durant		0
Capital Outlay (donations and interest)		9,578
Technology (donations)		4,992
General Fund (Cooperative programs and Dr. Ed)		4,294

Operating Grants

Instruction			
State Aid - At Risk	96,252		
Title III	861		
Federal - Title I	57,937		
Federal Title V	355		
Federal Title II	32,527		
Federal Title IID	545		
Career Prep	2,514		
Federal Title I Homeless	2,783		
Drug Free	<u>1,241</u>	195,015	
Food Services			
State Aid Lunch	29,853		
Free and Reduced Lunches	101,685		
Commodity	<u>31,787</u>	163,325	
Hearing Impaired		<u>1,054,025</u>	1,412,365

General Revenues

Property Taxes	555,945		
Property Taxes-Technology	428,982		
Investment Income (General and Technology)	103,363		
State Aid Formula	12,135,965		
Monroe ISD special education	378,903		
Other	<u>103,487</u>		13,706,645

Total Revenues		<u>\$ 15,712,418</u>	
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EXPENSES

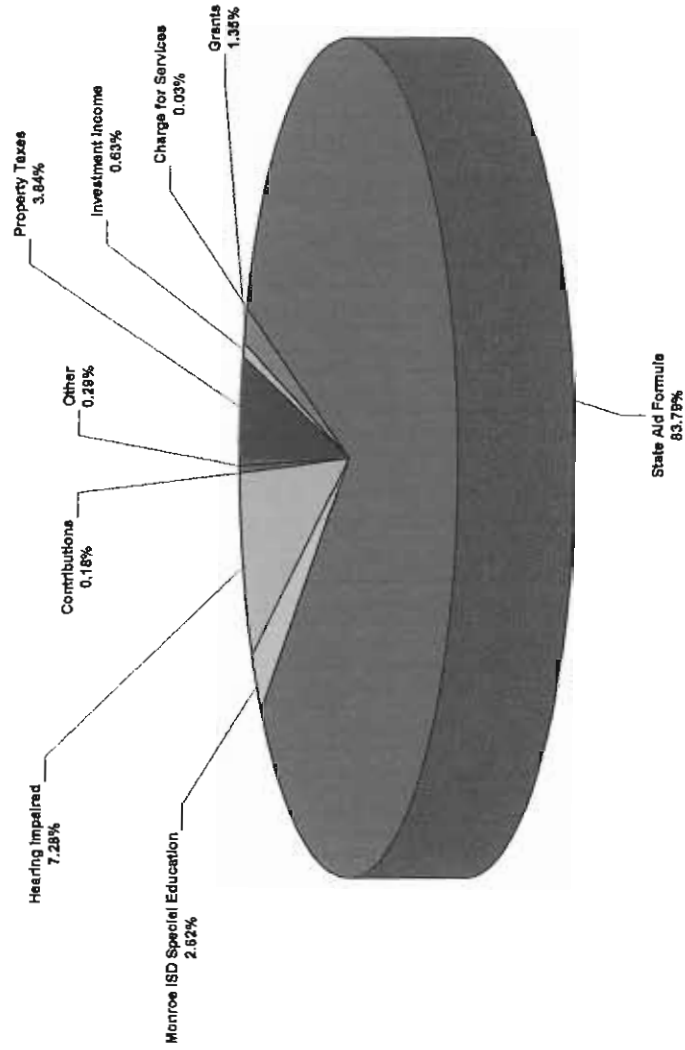
Instruction		
Salaries & Benefits	7,271,614	
Other	<u>388,147</u>	7,659,761
Support		
Salaries & Benefits	3,059,183	
Other	<u>1,035,489</u>	4,094,672
Community Services		
Salaries & Benefits	37,487	
Other	<u>2,779</u>	40,266
Food Services		
Salaries & Benefits	304,207	
Other	<u>320,903</u>	625,110
Technology		
Salaries & Benefits	227,687	
Other	<u>140,690</u>	368,377
Hearing Impaired		
Salaries & Benefits	1,282,942	
Other	<u>103,050</u>	1,385,992
Athletics		
Salaries & Benefits	46,855	
Other	<u>199,273</u>	246,128
Recreation		
Salaries & Benefits	1,927	
Other	<u>24,511</u>	26,438
Other Expenses		229,187
Debt Durant		0
Depreciation (unallocated)		440,114
		<u>\$ 15,116,045</u>

On the following pages, visual information is available for review.

Graph A depicts how the stability and health of the unrestricted General Fund Revenues are dependent upon the ability of the State to fund the District's budgeted per pupil foundation allowance.

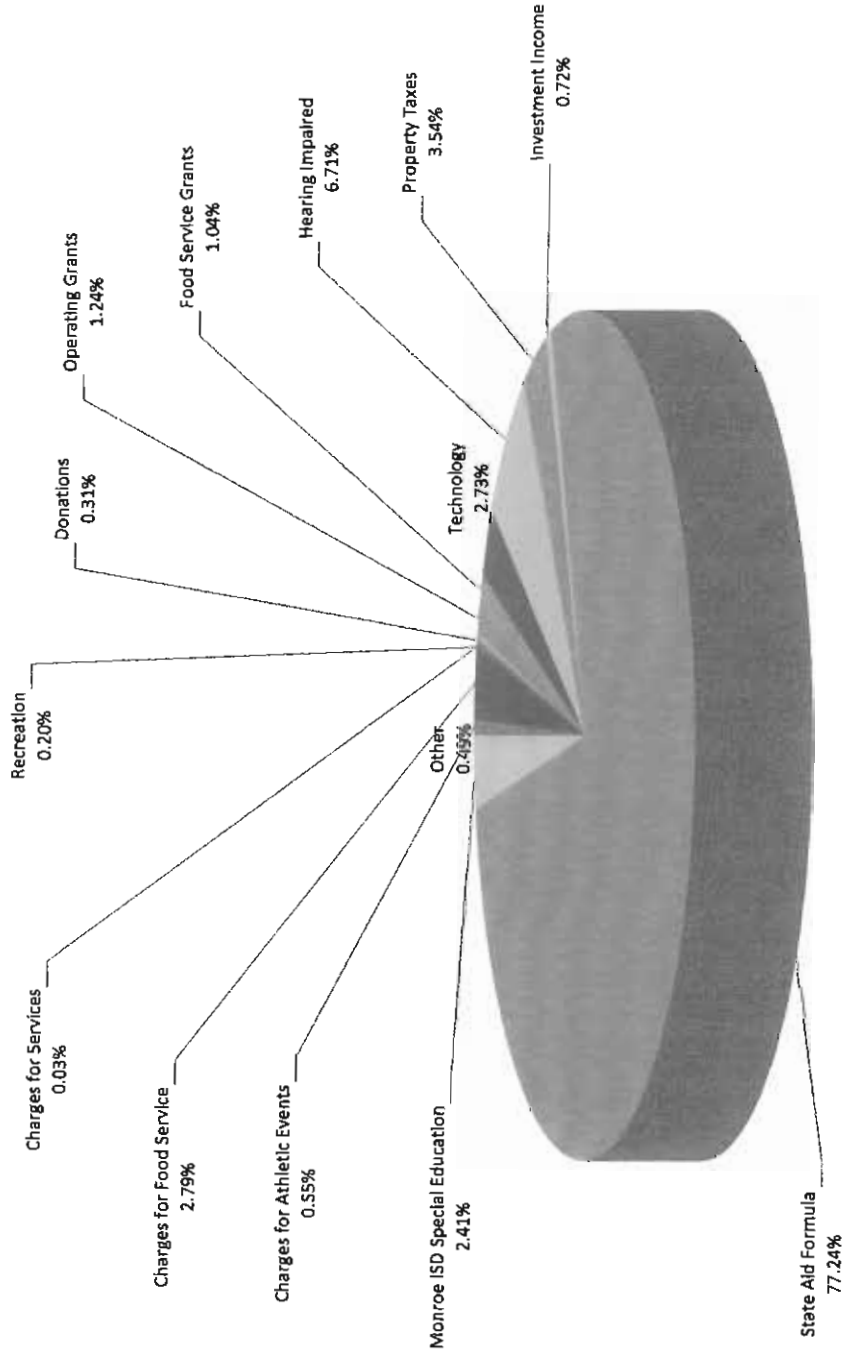
Graph B depicts the sources of revenue for the School District (including restricted revenues), and how dependent, again, that the District relies upon the health of the State's economy and ability to fund the budgeted per pupil foundation allowance.

Chart A General Fund Revenues



- Property Taxes
- Charge for Services
- Hearing Impaired
- Investment Income
- State Aid Formula
- Contributions
- Grants
- Monroe ISD Special Education
- Other

Chart B All Funds Revenues



- Charges for Athletic Events
- Operating Grants
- Investment Income
- Charges for Food Service
- Food Service Grants
- State Aid Formula
- Charges for Services
- Technology
- Monroe ISD Special Education
- Recreation
- Hearing Impaired
- Other
- Donations
- Property Taxes

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity increased from \$2,834,414 as of June 30, 2007 to \$3,332,771 on June 30, 2008. The primary factors affecting the fund equity are listed below.

GENERAL FUND Factors affecting Revenue

- *State Aid funding* -The State of Michigan provides a \$7,204 per pupil foundation allowance that provides a substantial portion of our district's revenue, 81 percent, compared with 78 percent in the 2006/07 fiscal year. This was in comparison to a \$7,085 per pupil foundation allowance in 2006/07. In addition we also receive various grants from the state. These figures indicate that the financial stability of the District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the District's fiscal year end, there is an adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.
- *Schools of Choice*- The School District had an agreement with the other public schools in Monroe County to implement a Monroe County Schools of Choice (Open Enrollment) program. During the 2007/08 school year, of the 1722 pupils enrolled, 226 (13%) of our student population were schools of choice pupils, compared to 12% in the 2006/07 school year. This number is expected to remain constant as most schools are now at their 4% required cap for releasing students and have opted not to release any additional students.
- *Hearing Impaired*-The School District is the site for the Monroe County Hearing Impaired Center based program that is supervised by the Monroe County Intermediate School District. Hearing impaired children countywide are taught at the District. Of the 1722 pupils enrolled during the 2007/08 school year, 43 (2%) students participated in the hearing impaired program, compared with 50 (3%) enrolled in the previous school year. The State of Michigan reimburses the district for many of the costs associated with the program, and the remainder is reimbursed through the Monroe County Intermediate School District. Total expenses for the program in 2006/07 were \$1,370,671 in comparison to 2007/08 that was 1,520,162. Some of these expenses are recovered through the foundation grant provided by the state. The school district receives \$651,683 in payments directly from the Monroe County Intermediate School District during the fiscal year and the remaining \$398,682 will be received in the 2008/09 school year. It will be recognized in that year because it is not paid by the Monroe County Intermediate School District within the 60-day revenue recognition standards.

- *Specified Millage*-Since 1984, when our first specified millage proposal was approved, the Board has set aside funds (equaling the value of 2 mills) for transportation and technology purchases and projects. The value of one mill was based upon the local income derived from our 36.75 operating mills, per recommendations from legal and accounting consultants and, was computed each year via the power-equalized concept. In 1993-94, when the Board divided the two mills between technology and maintenance/transportations purchases, a decision was reached to have the change in the value of one mill based upon the percentage change each year in the Non-Homestead Assessed Valuation area. (The passage of Proposal A and the usage of the Non-Homestead's computation process' both occurred during the same fiscal year.)

Factors affecting Expenses

- *Salaries and Benefits*-A significant portion of the School District's expenses are related to compensation, 81% in the 2007/08 versus 82% in the prior fiscal year.
- *Instructional purchases*- A substantial part of each year's budgetary expenditures include textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance*-Much of each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the fourth Wednesday in September), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

Revenues-Original estimated budgets for revenues were \$14,480,026 versus the final budget of \$14,876,202. Major components of revenue and their original budget versus final budget are discussed below.

- There was an approximate 4% decrease in *local property taxes* collected from the original budget to the final budget. This is due to writing off uncollected personal property taxes and board of review changes throughout the year for local property owners.
- There was less than a 1% increase from the original budget to the final budget in *State Sourced Revenue*. This increase was comprised of changes in enrolled students combined with changes in state grant allocations. These factors are not known at the time the original budget is created.

- There was a 1% increase in the original budget to the final budget in *Federal Sourced Revenue*. Original indications of grant amounts from the federal government were much lower than actually received. Actual amounts are not known until after the budget has been approved.

Expenditures- The original budget for expenditures was \$14,699,747 versus the final budget of \$14,912,955. The difference of \$213,208 is less than a 1% variance.

Final Budget versus Actual Figures

- The majority (about 78%) of *Local Revenues* are property taxes received from six townships including Dundee, Monroe Charter, Raisinville, LaSalle, Bedford, and Ida. Revenue estimates are fairly accurate because the main tax base township, Ida, does not have many industrial facilities or industrial development. Most changes are related to residential housing.
- *State Revenues* were budgeted at \$12,217,056 versus actual of \$12,234,723. This was a difference of \$17,667.
- *Federal Revenues* actually received were \$503 less than the final budget of \$96,752.
- *Overall revenues* were over budget by \$36,869 from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$14,876,202.
- *Expenses*- Final estimated budgets for expenses were \$14,912,955 versus an actual final amount of \$14,414,714. The overall variation from final budget to actual was about 3%, or \$498,241.

Actual Figures 2007/08 compared to 2006/07

- *Local Revenues* exclusive of taxes collected for the sole purpose of technology for the fiscal year ended were \$711,694 compared to \$677,273 in the previous year. The majority of change is reflected in the dollars received from local income tax and interest earned.
- *State Revenues* for the fiscal year ended were \$12,234,723 compared to \$12,249,079 for fiscal year ended 2006/07. This change reflects the offset of the changes in student population and state aid per pupil amounts provided by the state in the fiscal year 07/08 compared to the previous school year.
- *Federal Revenues* for the fiscal year ended were \$96,249 compared to \$109,893 from the previous school year. This change reflects in part the decreases in grant monies including those associated with Title I, Title II, and Title V funds.

- *Expenditures*- As in the previous year, limitations were put on purchase order requests in order to protect fund equity. There were additional cost reductions made in areas such as food service, athletics, and general fund areas. These additional cost reductions helped to offset increases caused by additional wages and benefits, and energy and fuel cost increases. However, expenditures in the general fund still increased from \$14,294,179 in the 2006/07 to \$14,414,714 in 2007/08.

SPECIAL REVENUE FUNDS

- *Technology Fund*-The School District receives monies from an Enhancement "Technology" millage that is levied countywide by the Monroe County Intermediate School District. The County of Monroe is the only county statewide to have an enhancement millage. The millage is one additional mill levied for the sole purpose of funding technology expenses to the school districts in the county. Monies received are based on pupil enrollment. In 2007/08 the School District received \$428,982 in technology millage, compared to \$400,015 in 2006/07. The Technology Fund was created in fiscal 2002/03 to account for monies received and expenditures made from the millage. The General Fund collects these monies and then transfers them out to the Technology Fund.
- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods, federal grants, and transfers from the General Fund. For the year 2007/08 the General Fund did not transfer any amount compared to \$15,764 in 2006/07. The transfer used to be a reimbursement for a percentage of FICA and retirement; however, the General Fund transfer is now a flat amount to be applied to all food service operations. This allows better control over cash flows for both the General Fund and the School Lunch Fund. The decrease in the allocation is attributed to a decrease in expenses and an increase in revenue. The School Lunch Fund has a fund balance that should typically provide just enough equity to run the program throughout the year. This accounts for the difference in general fund transfer amounts from year to year.
- *Athletic Fund*-The Athletic Fund receives its revenues from pay to play fees, admission fees, and transfers from the General Fund. For the fiscal year 2007/08, the General Fund transferred \$147,818 to the Athletic Fund, compared to \$154,318 in 2006/07. The district continued to outsource all non-staff coaching to a third party to provide monetary benefits to both the coaches and the school district.

CAPITAL PROJECTS FUND

- In the 2007/08 fiscal year, the School District transferred \$394,155 into the Capital Projects Fund. This money was used in part to fund the improvements to the grounds including asphalt and roof repairs, land payments, water payments, and renovation of our middle school gym floor. During the 2006/07 fiscal year \$451,670 was transferred.

DEBT SERVICE FUND

- During the 2007/08 fiscal year, the school district had no activity in its Debt Service Fund due to the delay of Durant payments 2006/07 and 2007/08 until 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

- *Capital Assets*-At June 30, 2008, the School District had \$3.31 million invested in capital assets, net of accumulated depreciation. This compares to \$3.35 in the 2006/07 fiscal year. In addition, the district had Durant bond debt outstanding of \$241,914 related to debt. As these items also relate to capital assets, ***Invested in capital assets net of related debt*** is \$2.92 million compared to \$2.84 million in the previous year. More detail is presented in the notes to the financial statements.
- *Debt Administration*- At the fiscal year ending June 30, 2008, the District's long term obligations included \$241,914 in Durant bonds, and \$20,260 in compensated absences including accrued vacation and sick pay leave; compared to \$244,156 in Durant bonds and \$45,600 in compensated absences in 2006/07. More detail is presented in the notes to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office
Ida Public Schools
3145 Prairie Street
Ida, MI 48140

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ida Public Schools
Ida, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ida Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Ida Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ida Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Ida Public Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2008 on our consideration of the Ida Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Education
Ida Public Schools
Ida, Michigan

The management's discussion and analysis and budgetary comparison information on pages i through xi and page 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ida Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
October 1, 2008

IDA PUBLIC SCHOOLS
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

<u>ASSETS</u>	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,898,016	\$ 3,194,136
Accounts receivable	780	30,426
Due from students	21	89
Due from other governmental units	2,221,577	2,178,038
Inventory	<u>21,765</u>	<u>31,706</u>
TOTAL CURRENT ASSETS	<u>6,142,159</u>	<u>5,434,395</u>
NONCURRENT ASSETS:		
Capital assets	8,657,111	8,684,726
Less: Accumulated depreciation	<u>(5,344,452)</u>	<u>(5,330,108)</u>
TOTAL NONCURRENT ASSETS	<u>3,312,659</u>	<u>3,354,618</u>
TOTAL ASSETS	<u>\$ 9,454,818</u>	<u>\$ 8,789,013</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 68,722	\$ 58,364
Accrued salaries and related items	1,461,747	1,308,551
Unearned revenue	6,123	6,291
Current portion of long term obligations	25,174	
Due to governmental units	1,703	
Current portion of leases payable		32,436
Current portion of contract payable	51,000	51,000
Current portion of compensated absences	<u>26,875</u>	<u>2,259</u>
TOTAL CURRENT LIABILITIES	<u>1,641,344</u>	<u>1,458,901</u>
NONCURRENT LIABILITIES:		
Contract payable land	101,000	152,000
Noncurrent portion of leases payable		11,497
Noncurrent portion of long term obligations	241,914	267,088
Compensated absences	<u>20,260</u>	<u>45,600</u>
TOTAL NONCURRENT LIABILITIES	<u>363,174</u>	<u>476,185</u>
TOTAL LIABILITIES	<u>2,004,518</u>	<u>1,935,086</u>
NET ASSETS:		
Invested in capital assets, net of related debt	2,918,745	2,840,597
Restricted for:		
Capital projects	614,869	605,843
Technology	466,655	401,756
Food Service	122,130	148,596
Unrestricted	<u>3,327,901</u>	<u>2,857,135</u>
TOTAL NET ASSETS	<u>\$ 7,450,300</u>	<u>\$ 6,853,927</u>

The notes to the financial statements are an integral part of this statement.

IDA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Totals</u> <u>Governmental Activities</u>	
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Net (Expense) Revenue</u> <u>and Changes in Net Assets</u>	<u>2008</u> <u>2007</u>
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 7,659,761	\$ 4,294	\$ 99,394	\$ (7,556,073)	\$ (7,340,201)
Support services	4,094,672		55,000	(4,039,672)	(4,107,452)
Community services	40,266		40,266		(35,100)
Other	229,187			(229,187)	(154,355)
Food services	625,110	439,058	163,325	(22,727)	21,844
Technology	368,377		355	(368,022)	(296,880)
Recreation	26,438	31,017		4,579	(23,418)
Hearing impaired	1,385,992		1,054,025	(331,967)	(307,771)
Athletics	246,128	86,854		(159,274)	(159,594)
Unallocated depreciation	<u>440,114</u>			<u>(440,114)</u>	<u>(306,372)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 15,116,045</u>	<u>\$ 561,223</u>	<u>\$ 1,412,365</u>	<u>\$ (13,142,457)</u>	<u>\$ (12,709,299)</u>
GENERAL REVENUES:					
Property taxes, levied for general purposes				555,945	517,398
Property taxes, levied for technology				428,982	400,015
Investment earnings				112,941	106,707
State sources				12,135,965	12,130,822
Monroe ISD special education allocation				378,903	333,726
Rental				4,200	
Contributions					
General				24,647	6,069
Athletics				17,590	7,007
Recreation				25	
Technology				4,992	
Other				<u>74,640</u>	<u>26,452</u>
TOTAL GENERAL REVENUES				<u>13,738,830</u>	<u>13,528,196</u>
CHANGE IN NET ASSETS				596,373	818,897
Net assets, beginning of year				<u>6,853,927</u>	<u>6,035,030</u>
Net assets, end of year				<u>\$ 7,450,300</u>	<u>\$ 6,853,927</u>

IDA PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

With Comparative Totals for June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds	
			2008	2007
ASSETS:				
Cash and cash equivalents	\$ 2,634,370	\$ 1,263,646	\$ 3,898,016	\$ 3,194,136
Accounts receivable	413	367	780	30,426
Due from students		21	21	89
Due from other governmental units	2,215,446	6,131	2,221,577	2,178,038
Due from other governmental funds		18,750	18,750	
Inventory	<u>21,765</u>		<u>21,765</u>	<u>31,706</u>
TOTAL ASSETS	<u>\$ 4,871,994</u>	<u>\$ 1,288,915</u>	<u>\$ 6,160,909</u>	<u>\$ 5,434,395</u>
LIABILITIES:				
Accounts payable	\$ 61,611	\$ 7,111	\$ 68,722	\$ 58,364
Accrued salaries and related items	1,458,862	2,885	1,461,747	1,308,551
Due to other governmental funds	18,750		18,750	
Due to other governmental units		1,703	1,703	
Unearned revenue	<u></u>	<u>6,123</u>	<u>6,123</u>	<u>6,291</u>
TOTAL LIABILITIES	<u>1,539,223</u>	<u>17,822</u>	<u>1,557,045</u>	<u>1,373,206</u>
FUND BALANCES:				
Reserved for:				
Inventory	21,765		21,765	31,706
School lunch		122,130	122,130	137,801
Capital projects		614,869	614,869	605,843
Technology		466,655	466,655	401,756
Unreserved, reported in:				
General Fund	3,311,006		3,311,006	2,813,503
Special Revenue Fund	<u></u>	<u>67,439</u>	<u>67,439</u>	<u>70,580</u>
TOTAL FUND BALANCES	<u>3,332,771</u>	<u>1,271,093</u>	<u>4,603,864</u>	<u>4,061,189</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,871,994</u>	<u>\$ 1,288,915</u>	<u>\$ 6,160,909</u>	<u>\$ 5,434,395</u>
		2008		2007
TOTAL GOVERNMENTAL FUND BALANCES		\$ 4,603,864		\$ 4,061,189
Add:				
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital asset is	\$ 8,657,111		\$ 8,684,726	
The accumulated depreciation is	<u>(5,344,452)</u>		<u>(5,330,108)</u>	
		3,312,659		3,354,618
Subtract:				
Long term liabilities are not due and payable in the current period and are not reported in the funds:				
Land contract payable		(152,000)		(203,000)
Leases payable				(43,933)
Bonds payable		(267,088)		(267,088)
Compensated absences		<u>(47,135)</u>		<u>(47,859)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,450,300</u>		<u>\$ 6,853,927</u>

IDA PUBLIC

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds	
			2008	2007
REVENUES:				
Local sources:				
Property taxes	\$ 555,945	\$	\$ 555,945	\$ 517,398
Investment earnings	91,235	21,706	112,941	106,707
Food sales		439,058	439,058	454,046
Athletic admissions and recreation fees		117,871	117,871	117,678
Other	<u>68,808</u>	<u>72,713</u>	<u>141,521</u>	<u>77,581</u>
TOTAL LOCAL SOURCES	715,988	651,348	1,367,336	1,273,410
Intermediate sources	1,866,111		1,866,111	1,796,641
State sources	12,232,209	29,853	12,262,062	12,281,685
Federal sources	<u>98,763</u>	<u>133,472</u>	<u>232,235</u>	<u>247,892</u>
TOTAL REVENUES	<u>14,913,071</u>	<u>814,673</u>	<u>15,727,744</u>	<u>15,599,628</u>
EXPENDITURES:				
Current:				
Instruction	8,461,955	206,292	8,668,247	8,526,721
Support services	4,722,558	162,237	4,884,795	4,878,539
Food service activities		625,832	625,832	602,561
Athletic activities		246,128	246,128	245,494
Recreation activities		26,438	26,438	55,196
Community service activities	40,266		40,266	35,100
Other expenditures		280,187	280,187	205,355
Capital outlay	<u>218,802</u>	<u>194,374</u>	<u>413,176</u>	<u>144,576</u>
TOTAL EXPENDITURES	<u>13,443,581</u>	<u>1,741,488</u>	<u>15,185,069</u>	<u>14,693,542</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,469,490</u>	<u>(926,815)</u>	<u>542,675</u>	<u>906,086</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		971,133	971,133	1,021,767
Transfers out	<u>(971,133)</u>		<u>(971,133)</u>	<u>(1,021,767)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(971,133)</u>	<u>971,133</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	498,357	44,318	542,675	906,086
FUND BALANCES:				
Beginning of year	<u>2,834,414</u>	<u>1,226,775</u>	<u>4,061,189</u>	<u>3,155,103</u>
End of year	<u>\$ 3,332,771</u>	<u>\$ 1,271,093</u>	<u>\$ 4,603,864</u>	<u>\$ 4,061,189</u>

IDA PUBLIC SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net change in fund balances total governmental funds	\$ 542,675	\$ 906,086
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation expense in the Statement of Activities:		
Depreciation expense	(440,114)	(306,372)
Capital outlay	413,176	144,576
Proceeds from sale of assets	(15,021)	(3,702)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).	94,933	80,569
Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:		
Accrued compensated absences beginning of year	47,859	45,599
Accrued compensated absences end of year	<u>(47,135)</u>	<u>(47,859)</u>
Change in net assets of governmental activities	<u>\$ 596,373</u>	<u>\$ 818,897</u>

IDA PUBLIC SCHOOLS
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008
With Comparative Totals for June 30, 2007

<u>ASSETS</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>	<u>2008</u>	<u>Totals 2007</u>
Cash	\$ 11,308	\$ 151,609	\$ 162,917	\$ 172,905
Investments	<u>5,000</u>	<u> </u>	<u>5,000</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 16,308</u>	<u>\$ 151,609</u>	<u>\$ 167,917</u>	<u>\$ 177,905</u>
 <u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Due to student groups	\$	\$ 151,609	\$ 151,609	\$ 161,337
NET ASSETS:				
Reserved for trust activities	<u>16,308</u>	<u> </u>	<u>16,308</u>	<u>16,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,308</u>	<u>\$ 151,609</u>	<u>\$ 167,917</u>	<u>\$ 177,905</u>

IDA PUBLIC SCHOOLS
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Years Ended June 30, 2008 and 2007

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>	<u>2008</u>	<u>Totals</u> <u>2007</u>
ADDITIONS:				
Donations	\$ 150	\$	\$ 150	\$ 150
Interest earnings	<u>590</u>	<u></u>	<u>590</u>	<u>579</u>
TOTAL ADDITIONS	<u>740</u>	<u>-</u>	<u>740</u>	<u>729</u>
DEDUCTIONS:				
Scholarships awarded	<u>1,000</u>	<u></u>	<u>1,000</u>	<u>500</u>
TOTAL DEDUCTIONS	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>500</u>
CHANGE IN NET ASSETS	(260)	-	(260)	229
NET ASSETS:				
Beginning of year	<u>16,568</u>	<u>-</u>	<u>16,568</u>	<u>16,339</u>
End of year	<u>\$ 16,308</u>	<u>\$ -</u>	<u>\$ 16,308</u>	<u>\$ 16,568</u>

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Ida Public Schools (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented the provisions of Statement No. 34 effective July 1, 2002.

A. Reporting Entity

The District is governed by the Board of Education (the "Board") of Ida Public Schools, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District's activities are classified as governmental activities. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net assets. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

This government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income, and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements (Continued)

Other Non-major Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The District accounts for its food service, athletic activities, and technology in the Special Revenue Funds.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the receipt of monies from the specified millage to purchase assets or to complete construction of major capital projects.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private Purpose Trust Funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis Of Accounting And Basis Of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis Of Accounting And Basis Of Presentation (Continued)

fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. Also, the District has adopted an investment policy in accordance with GASB Statement No. 40.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation.

<u>Fund</u>	<u>Mills</u>
General Fund Non-homestead	17.4764

3. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,500.

5. Fund Balances

Fund balances on the Governmental Fund Balance Sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for Inventory is the portion of fund balance represented by inventories not available for appropriation and expenditure at June 30, 2008. The reserve for prepaid expenditures represents expenditures paid for in the fiscal year ended June 30, 2007, but for the benefit of 2008. The reserve for Technology and the reserve for Subsequent year's expenses are legally segregated for expenditure within the Technology Fund and Capital Projects Funds, respectively. The reserve for the school lunch program represents the portion of fund balance that is legally segregated for expenditure within the School Lunch Fund.

6. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS – CREDIT RISK

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the District. The District's deposit policy for custodial credit risk is as stated in Section 3. Part A. i. in its investment of Surplus Funds Policy. As of June 30, 2008, \$4,168,893 of the District's bank balance of \$4,379,329 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 4,168,893</u>
--------------------------------	---------------------

NOTE 4. CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	<u>PRIMARY GOVERNMENT</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 621,145	\$	\$	\$ 621,145
Work in process	<u>81,920</u>	<u> </u>	<u>81,920</u>	<u> </u>
Total nondepreciable assets	<u>703,065</u>	<u> </u>	<u>81,920</u>	<u>621,145</u>
Depreciable assets:				
Land improvements	542,582	113,494		656,076
Buildings and improvements	4,568,100	117,692		4,685,792
Machinery and equipment	1,107,237	48,207	97,373	1,058,071
Transportation equipment	1,623,551	215,703	203,227	1,636,027
Leased property under capital leases	<u>140,191</u>	<u> </u>	<u>140,191</u>	<u> </u>
Depreciable capital assets	<u>7,981,661</u>	<u>495,096</u>	<u>440,791</u>	<u>8,035,966</u>
Less accumulated depreciation for:				
Land improvements	117,851	103,799		221,650
Buildings and improvements	2,882,432	75,630		2,958,062
Machinery and equipment	992,301	36,497	97,373	931,425
Transportation equipment	1,253,410	168,111	188,206	1,233,315
Leased property under capital leases	<u>84,114</u>	<u>56,077</u>	<u>140,191</u>	<u> </u>
Total accumulated depreciation	<u>5,330,108</u>	<u>440,114</u>	<u>425,770</u>	<u>5,344,452</u>
Governmental activities capital assets, net	<u>\$ 3,354,618</u>	<u>\$ 54,982</u>	<u>\$ 96,941</u>	<u>\$ 3,312,659</u>

Depreciation and amortization are computed by the straight line method for all classes of assets. Depreciation and amortization for the fiscal year ended June 30, 2008 and 2007 amounted to \$440,114, and \$306,372, respectively. The District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions. The district had to restate the net capital assets to reflect changes made to carrying value. The net change in the beginning balance was \$160,864.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5. LONG-TERM DEBT

The Durant Bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid Payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. Due to economic conditions in the State of Michigan, payments of State Aid were eliminated and those payments due in years 2003 through 2005, 2007 and 2008 are scheduled to be paid in year 2011. The 1998 limited obligation bond issue of \$452,337 has an interest rate of 4.76% interest.

The debt service requirements of governmental activities for the Durant Bonds at June 30, 2008 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,174	\$ 6,591	\$ 31,765
2010	26,371	5,393	31,764
2011	156,283	57,139	213,422
2012	28,941	2,822	31,763
2013	<u>30,319</u>	<u>1,444</u>	<u>31,763</u>
	<u>\$ 267,088</u>	<u>\$ 73,389</u>	<u>\$ 340,477</u>

In November 2004, the School District purchased land for \$419,000. The School District made a down payment of \$114,000 and financed the balance with annual principal payments of \$51,000 plus interest on the unpaid balance at the rate of 5%. The total contract is due August 1, 2010.

The debt service requirements of governmental activities for the contract at June 30, 2008 are as follows:

<u>Year Ended June 30,</u>	<u>August 1 Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 51,000	\$ 7,600	\$ 58,600
2010	51,000	5,050	56,050
2011	<u>50,000</u>	<u>2,500</u>	<u>52,500</u>
	<u>\$ 152,000</u>	<u>\$ 15,150</u>	<u>\$ 167,150</u>

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the District for the year ended June 30, 2008:

	<u>Durant Bonds</u>	<u>Capital Lease</u>	<u>Contract Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance July 1, 2007	\$ 267,088	\$ 43,933	\$ 203,000	\$ 47,859	\$ 561,880
Additions					
Deletions	<u> </u>	<u>43,933</u>	<u>51,000</u>	<u>724</u>	<u>95,657</u>
Balance June 30, 2008	267,088		152,000	47,135	466,223
Less:					
Current portion	<u>25,174</u>	<u> </u>	<u>51,000</u>	<u>26,875</u>	<u>103,049</u>
Total due after one year	<u>\$ 241,914</u>	<u>\$ </u>	<u>\$ 101,000</u>	<u>\$ 20,260</u>	<u>\$ 363,174</u>

The annual requirements to amortize debt outstanding as of June 30, 2008, including interest payments of \$92,808 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2009	\$ 76,174	\$ 14,191	\$ 90,365
2010	77,371	10,443	87,814
2011	206,283	59,639	265,922
2012	28,941	2,822	31,763
2013	<u>30,319</u>	<u>1,444</u>	<u>31,763</u>
	419,088	88,539	507,627
Compensated absences	<u>47,135</u>	<u> </u>	<u>47,135</u>
	<u>\$ 466,223</u>	<u>\$ 88,539</u>	<u>\$ 554,762</u>

IDA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 6. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental, and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 4.3% of compensation over \$15,000.

Members enrolled in MIP on or after July 1, 2008, will contribute 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 6.4% of compensation over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to the MPERS for the years ended June 30, 2008, 2007, and 2006, were \$1,365,955, \$1,423,577, and \$1,329,268, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits Under the MPERS Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances at June 30, 2008 are expected to be repaid within the next fiscal year.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 7. INTERFUND BALANCES AND TRANSFERS (Continued)

A schedule of interfund balances follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Nonmajor:	\$ 18,750	Nonmajor:	\$ 18,750
	<hr/>		<hr/>
	<u>\$ 18,750</u>		<u>\$ 18,750</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor:		Major:	
Technology	\$ 428,982	General	\$ 971,133
Athletics	147,818		
Recreation	178		
Capital Projects	<u>394,155</u>		<hr/>
TOTALS	<u>\$ 971,133</u>		<u>\$ 971,133</u>

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The District cannot estimate losses from reported and unreported claims at June 30, 2008. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

IDA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 9. CONTINGENCIES

The District had no contingencies at June 30, 2008.

NOTE 10. FEDERAL PROGRAMS

During the year, the School District received Federal funds that are restricted to the purpose that they are intended. The following is a breakdown of those programs for the year ended June 30, 2008:

<u>Program Number</u>	<u>Program Name</u>	<u>Amount of Grant</u>	<u>Amount Spent</u>
061530 0506	Title I	\$ 57,937	\$ 57,937
060250 0506	Title V Part A	355	355
064290 0506	Title II Part D Tech	545	545
060520 0506	Title II Part A Teach Teu	47,298	32,527
Pass Thru	Drug Free Schools	1,241	1,241
Pass Thru	Title III	861	861
Pass Thru	Homeless Grant Title I	2,783	2,783
	Food Service	<u>133,472</u>	<u>133,472</u>
	Total	<u>\$ 244,492</u>	<u>\$ 229,721</u>

NOTE 11. CHANGES IN SHORT TERM DEBT

State school aid Line of Credit obligations are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, 1976, as amended, and Act 34, Public Acts of Michigan, 2001, as amended, for the purpose of providing money for school operations or to pay previous loans obtained for school operations under applicable laws for the fiscal year ending June 30, 2008. The Issuer has pledged for the payment of the draws on the obligation monies to be received by it from state school aid.

As additional security the Issuer has pledged the full faith, credit and resources of the Issuer and, in the event of the unavailability or insufficiency of state school aid for any reason, the draws on the Obligation are payable from tax levies within its constitutional and statutory limitations or from unencumbered funds of the Issuer. The pledge of full faith and credit is subordinate to any encumbrances or tax levies pledged or to be pledged for the payment of tax anticipation notes issued or to be issued by the Issuer pursuant to Act 202, Public Acts of Michigan, 1943, as amended, or Act 34, Public Acts of Michigan, 2001, as amended. The Line of Credit obligation was for \$1,650,000 due March 21, 2008, at 4.7%.

Short-term debt activity for the fiscal year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Interest</u>	<u>Redeemed</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 12,305</u>	<u>\$ 662,305</u>	<u>\$ -</u>

**INDEPENDENT AUDITORS' REPORT ON REQUIRED
SUPPLEMENTARY INFORMATION**

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
October 1, 2008

IDA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources	\$ 633,643	\$ 691,990	\$ 711,694	\$ 19,704
State sources	12,112,891	12,217,056	12,234,723	17,667
Federal sources	95,662	96,752	96,249	(503)
Intermediate sources	<u>1,637,830</u>	<u>1,870,404</u>	<u>1,870,405</u>	<u>1</u>
TOTAL REVENUES	<u>14,480,026</u>	<u>14,876,202</u>	<u>14,913,071</u>	<u>36,869</u>
EXPENDITURES:				
Instruction:				
Basic programs	6,828,321	6,983,335	6,816,169	167,166
Added needs	<u>1,649,680</u>	<u>1,697,366</u>	<u>1,648,884</u>	<u>48,482</u>
TOTAL INSTRUCTION	<u>8,478,001</u>	<u>8,680,701</u>	<u>8,465,053</u>	<u>215,648</u>
Support services:				
Pupil	810,127	872,993	853,301	19,692
Instructional staff	463,426	484,651	462,239	22,412
General administration	356,449	355,987	328,564	27,423
School administration	696,239	719,159	695,299	23,860
Business	303,034	285,436	256,369	29,067
Operation/maintenance	1,476,857	1,389,554	1,276,973	112,581
Pupil transportation	1,097,202	1,098,415	1,054,381	44,034
Other	<u>20,500</u>	<u>14,000</u>	<u>11,136</u>	<u>2,864</u>
TOTAL SUPPORT SERVICES	<u>5,223,834</u>	<u>5,220,195</u>	<u>4,938,262</u>	<u>281,933</u>
Community service activities	<u>34,827</u>	<u>41,104</u>	<u>40,266</u>	<u>838</u>
TOTAL EXPENDITURES	<u>13,736,662</u>	<u>13,942,000</u>	<u>13,443,581</u>	<u>498,419</u>
EXCESS OF REVENUES OVER EXPENDITURES	743,364	934,202	1,469,490	535,288
OTHER FINANCING USES:				
Transfers out	<u>(963,085)</u>	<u>(970,955)</u>	<u>(971,133)</u>	<u>(178)</u>
NET CHANGE IN FUND BALANCE	(219,721)	(36,753)	498,357	535,110
FUND BALANCE:				
Beginning of year			<u>2,834,414</u>	
End of year			<u>\$ 3,332,771</u>	

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Ida Public Schools taken as a whole. The accompanying information identified in the table of contents as combining financial statements and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
October 1, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Ida Public Schools
Ida, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ida Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Ida Public Schools' basic financial statements and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Ida Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliable in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be detected by the District's internal control over financial reporting.

To the Board of Education
Ida Public Schools
Ida, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Ida Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ida Public Schools in a separate letter dated October 1, 2008.

This report is intended solely for the information and use of the Board of Education, management, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
October 1, 2008

IDA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u> <u>Governmental Funds</u>	
				<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 646,652	\$	\$ 616,994	\$ 1,263,646	\$ 1,222,486
Accounts receivable	367			367	6,499
Due from students	21			21	89
Due from other governmental units	6,131			6,131	
Due from other governmental funds	18,750			18,750	
Inventory					10,795
TOTAL ASSETS	<u>\$ 671,921</u>	<u>\$ -</u>	<u>\$ 616,994</u>	<u>\$ 1,288,915</u>	<u>\$ 1,239,869</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 4,986	\$	\$ 2,125	\$ 7,111	\$ 4,596
Accrued salaries and related items	2,885			2,885	2,207
Due to other governmental units	1,703			1,703	
Unearned revenue	<u>6,123</u>			<u>6,123</u>	<u>6,291</u>
TOTAL LIABILITIES	<u>15,697</u>	<u>-</u>	<u>2,125</u>	<u>17,822</u>	<u>13,094</u>
FUND BALANCES:					
Reserved for:					
Technology	466,655			466,655	401,756
School Lunch	122,130			122,130	137,801
Inventory					10,795
Capital Projects			614,869	614,869	605,843
Unreserved, reported in:					
Special Revenue Fund	<u>67,439</u>			<u>67,439</u>	<u>70,580</u>
TOTAL FUND BALANCES	<u>656,224</u>	<u>-</u>	<u>614,869</u>	<u>1,271,093</u>	<u>1,226,775</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 671,921</u>	<u>\$ -</u>	<u>\$ 616,994</u>	<u>\$ 1,288,915</u>	<u>\$ 1,239,869</u>

IDA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals Nonmajor Governmental Funds 2008</u>	<u>2007</u>
REVENUES:					
Local sources:					
Sales	\$ 439,058	\$	\$	\$ 439,058	\$ 454,046
Charge for services	117,871			117,871	117,678
Investment earnings	12,128		9,578	21,706	12,935
Other local	<u>28,967</u>	<u></u>	<u>43,746</u>	<u>72,713</u>	<u>11,478</u>
TOTAL LOCAL SOURCES	598,024	-	53,324	651,348	596,137
State sources	29,853			29,853	32,606
Federal sources	<u>133,472</u>	<u></u>	<u></u>	<u>133,472</u>	<u>137,999</u>
TOTAL REVENUES	<u>761,349</u>	<u>-</u>	<u>53,324</u>	<u>814,673</u>	<u>766,742</u>
EXPENDITURES:					
Current:					
Food service activities	625,832			625,832	602,561
Athletic activities	246,128			246,128	245,494
Technology activities	368,529			368,529	296,838
Recreation activities	26,438			26,438	55,196
Capital outlay	36,108		158,266	194,374	17,254
Land Contract Payment			51,000	51,000	51,000
Land Interest Payment			10,150	10,150	12,700
Other expense			219,037	219,037	136,917
Miscellaneous	<u></u>	<u></u>	<u></u>	<u></u>	<u>3,170</u>
TOTAL EXPENDITURES	<u>1,303,035</u>	<u>-</u>	<u>438,453</u>	<u>1,741,488</u>	<u>1,421,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(541,686)	-	(385,129)	(926,815)	(654,388)
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>576,978</u>	<u>-</u>	<u>394,155</u>	<u>971,133</u>	<u>1,021,767</u>
NET CHANGE IN FUND BALANCES	35,292	-	9,026	44,318	367,379
FUND BALANCES:					
Beginning of year	<u>620,932</u>	<u>-</u>	<u>605,843</u>	<u>1,226,775</u>	<u>859,396</u>
End of year	<u>\$ 656,224</u>	<u>\$ -</u>	<u>\$ 614,869</u>	<u>\$ 1,271,093</u>	<u>\$ 1,226,775</u>

IDA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 2008
With Comparative Totals for June 30, 2007

<u>ASSETS</u>	<u>School Lunch</u>	<u>Athletics</u>	<u>Technology</u>	<u>Recreation</u>	Totals Governmental Funds	
					<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 104,376	\$ 57,948	\$ 470,408	\$ 13,920	\$ 646,652	\$ 613,174
Accounts receivable	367				367	6,499
Due from students	21				21	89
Due from other governmental units	6,131				6,131	
Due from other governmental funds	18,750				18,750	
Inventory						10,795
TOTAL ASSETS	<u>\$ 129,645</u>	<u>\$ 57,948</u>	<u>\$ 470,408</u>	<u>\$ 13,920</u>	<u>\$ 671,921</u>	<u>\$ 630,557</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 257	\$	\$ 300	\$ 4,429	\$ 4,986	\$ 1,127
Accrued salaries and related items	1,135		1,750		2,885	2,207
Due to other governmental units			1,703		1,703	
Unearned revenue	6,123				6,123	6,291
TOTAL LIABILITIES	<u>7,515</u>	<u>-</u>	<u>3,753</u>	<u>4,429</u>	<u>15,697</u>	<u>9,625</u>
 FUND BALANCES:						
Reserved for:						
Technology			466,655		466,655	401,756
School Lunch	122,130				122,130	137,801
Inventory						10,795
Unreserved, reported in:						
Special Revenue Fund		57,948		9,491	67,439	70,580
TOTAL FUND BALANCES	<u>122,130</u>	<u>57,948</u>	<u>466,655</u>	<u>9,491</u>	<u>656,224</u>	<u>620,932</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 129,645</u>	<u>\$ 57,948</u>	<u>\$ 470,408</u>	<u>\$ 13,920</u>	<u>\$ 671,921</u>	<u>\$ 630,557</u>

IDA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	<u>School Lunch</u>	<u>Athletics</u>	<u>Technology</u>	<u>Recreation</u>	Totals Governmental Funds <u>2008</u>	<u>2007</u>
REVENUES:						
Local sources:						
Sales	\$ 439,058	\$	\$	\$	\$ 439,058	\$ 454,046
Charge for services		86,854		31,017	117,871	117,678
Investment earnings			12,128		12,128	7,470
Other local	<u>2,804</u>	<u>18,426</u>	<u>5,062</u>	<u>2,675</u>	<u>28,967</u>	<u>11,478</u>
TOTAL LOCAL SOURCES	441,862	105,280	17,190	33,692	598,024	590,672
State sources	29,853				29,853	32,606
Federal sources	<u>133,472</u>				<u>133,472</u>	<u>137,999</u>
TOTAL REVENUES	<u>605,187</u>	<u>105,280</u>	<u>17,190</u>	<u>33,692</u>	<u>761,349</u>	<u>761,277</u>
EXPENDITURES:						
Cost of goods sold – net	276,853				276,853	270,514
Salaries and wages	204,227	37,500	153,041	1,538	396,306	390,488
Employee benefits	100,702	9,355	74,798	389	185,244	145,361
Contracted services	10,405	156,452	52,999	9,777	229,633	207,883
Materials and supplies	30,167	33,305	87,268	10,695	161,435	158,697
Capital outlay	5,821	17,543	12,744		36,108	17,254
Miscellaneous	<u>3,478</u>	<u>9,516</u>	<u>423</u>	<u>4,039</u>	<u>17,456</u>	<u>27,146</u>
TOTAL EXPENDITURES	<u>631,653</u>	<u>263,671</u>	<u>381,273</u>	<u>26,438</u>	<u>1,303,035</u>	<u>1,217,343</u>
EXCESS (DEFICIENCY) OF						
REVENUES						
OVER (UNDER) EXPENDITURES	(26,466)	(158,391)	(364,083)	7,254	(541,686)	(456,066)
OTHER FINANCING SOURCES:						
Transfers in		147,818	428,982	178	576,978	570,097
NET CHANGE IN FUND BALANCES	(26,466)	(10,573)	64,899	7,432	35,292	114,031
FUND BALANCES:						
Beginning of year	<u>148,596</u>	<u>68,521</u>	<u>401,756</u>	<u>2,059</u>	<u>620,932</u>	<u>506,901</u>
End of year	<u>\$ 122,130</u>	<u>\$ 57,948</u>	<u>\$ 466,655</u>	<u>\$ 9,491</u>	<u>\$ 656,224</u>	<u>\$ 620,932</u>

IDA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
FIDUCIARY FUND TYPES

June 30, 2008
With Comparative Totals for June 30, 2007

	Private Purpose Trust Funds	Agency Fund	Totals Fiduciary Fund Types 2008	2007
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,308	\$ 151,609	\$ 162,917	\$ 172,905
Investments	<u>5,000</u>	<u> </u>	<u>5,000</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 16,308</u>	<u>\$ 151,609</u>	<u>\$ 167,917</u>	<u>\$ 177,905</u>
 <u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Due to student groups	\$	\$ 151,609	\$ 151,609	\$ 161,337
NET ASSETS:				
Reserved for trust activities	<u>16,308</u>	<u> </u>	<u>16,308</u>	<u>16,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,308</u>	<u>\$ 151,609</u>	<u>\$ 167,917</u>	<u>\$ 177,905</u>

IDA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
PRIVATE PURPOSE TRUST FUND
For the Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>	<u>Balance June 30, 2008</u>
Smith Scholarship	\$ 5,735	\$ 137	\$	\$ 5,872
Capaul Scholarship	<u>10,833</u>	<u>603</u>	<u>1,000</u>	<u>10,436</u>
	<u>\$ 16,568</u>	<u>\$ 740</u>	<u>\$ 1,000</u>	<u>\$ 16,308</u>

IDA PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES

AGENCY FUND

For the Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Cash and equivalents	\$ 161,337	\$ 205,004	\$ 214,732	\$ 151,609
Total Agency Net Assets	<u>\$ 161,337</u>	<u>\$ 205,004</u>	<u>\$ 214,732</u>	<u>\$ 151,609</u>

October 1, 2008

The Board of Education
Ida Community Schools
Ida, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ida Public Schools (District) for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 25, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

2. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated accounts and taxes receivable, estimated compensated absences, estimated capital asset lives for depreciation and the estimated values used for the District's capital assets upon the implementation of GASB Statement No. 34.

Accounts and taxes receivable and compensated absences are estimated using the information available as of the date of the auditors' report. Management's estimate of values used for the District's capital assets is based upon either historical cost, if known, or the estimated fair value at the implementation of GASB Statement No. 34 and estimated useful lives are reviewed annually. We evaluated the key factors and assumptions used to develop accounts and taxes receivable, capital assets and the lives for depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

The Board of Education
Ida Public Schools
Ida, Michigan

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements for a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson, Eaton & Owen, P.C.